

Inner-City Revitalization Corporation

Alexandria, Louisiana

Financial Statements

December 31, 2011

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KnightMasden

A Professional Accounting Corporation

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June 28, 2012

Independent Auditors' Report

Board of Directors
Inner-City Revitalization Corporation
Alexandria, Louisiana

We have audited the accompanying statement of financial position of Inner-City Revitalization Corporation (a not-for-profit organization) as of December 31, 2011, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Inner-City Revitalization Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Inner-City Revitalization Corporation's December 31, 2010 financial statements and, in our report dated June 27, 2011, we expressed an unqualified opinion of those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Inner-City Revitalization Corporation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012 on our consideration of Inner-City Revitalization Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Knight Masden

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Inner-City Revitalization Corporation
Statement of Financial Position
December 31

	<u>2011</u>	2010 Summarized <u>Total</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 339,210	\$ 119,697
Accounts receivable	8,180	-
Grants receivable	16,450	136,072
Mortgage receivable - current portion	1,000	1,000
Prepaid expenses	1,153	1,153
Inventory	<u>151,270</u>	<u>583,388</u>
Total Current Assets	517,263	841,310
Plant, Property and Equipment, net	1,385,515	1,425,557
Other Assets		
Mortgage receivable	232,131	25,560
Deposits	1,563	1,567
Restricted cash	<u>113,892</u>	<u>9,345</u>
Total Other Assets	<u>347,586</u>	<u>36,472</u>
Total Assets	<u>\$ 2,250,364</u>	<u>\$ 2,303,339</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 5,688	\$ 24,842
Accrued payroll liabilities	4,583	8,876
Accrued interest	-	1,877
Rental deposits and escrow accounts	7,157	10,118
Due other agencies	-	1,254
Notes payable	<u>117,532</u>	<u>444,956</u>
Total Current Liabilities	134,960	491,923
Net Assets		
Unrestricted	1,670,482	1,790,086
Temporarily restricted	443,722	20,130
Permanently restricted	<u>1,200</u>	<u>1,200</u>
Total Net Assets	<u>2,115,404</u>	<u>1,811,416</u>
Total Liabilities and Net Assets	<u>\$ 2,250,364</u>	<u>\$ 2,303,339</u>

The accompanying notes are an integral part of the financial statements.

Inner-City Revitalization Corporation
Statement of Activities
For the Year Ended December 31

		2011			2010
		Temporarily Permanently			Summarized
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues					
Contributions and gifts	\$ 975	\$ 13,000	\$ -	\$ 13,975	\$ 8,691
Grants	355,056	424,208	-	779,264	528,546
Investment income	2,462	-	-	2,462	2,458
Program income					
Rental activities	119,281	-	-	119,281	101,114
Subdivision sales	233,780	379,979	-	613,759	-
Gain/loss sale of assets	<u>12,743</u>	<u>-</u>	<u>-</u>	<u>12,743</u>	<u>-</u>
Total Revenues	724,297	817,187	-	1,541,484	658,309
Net Assets Released from Restriction	393,595	(393,595)	-	-	
Functional Expenses					
Program Services					
Rental activities	297,723	-	-	297,723	181,441
Subdivision lots	778,973	-	-	778,973	5,851
Supporting Services					
Management and general	<u>160,801</u>	<u>-</u>	<u>-</u>	<u>160,801</u>	<u>154,472</u>
Total Functional Expenses	<u>1,237,496</u>	<u>-</u>	<u>-</u>	<u>1,237,496</u>	<u>341,764</u>
Change in Net Assets	(119,604)	423,592	-	303,988	316,545
Net Assets - Beginning of Year	<u>1,790,086</u>	<u>20,130</u>	<u>1,200</u>	<u>1,811,416</u>	<u>1,494,871</u>
Net Assets - End of Year	<u>\$1,670,482</u>	<u>\$ 443,722</u>	<u>\$ 1,200</u>	<u>\$2,115,404</u>	<u>\$1,811,416</u>

The accompanying notes are an integral part of the financial statements.

Inner-City Revitalization Corporation
Statement of Cash Flows
For the Year Ended December 31

	<u>2011</u>	2010 <u>Summarized Totals</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 303,988	\$316,545
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	45,479	46,652
Gain on sale of fixed asset	(12,743)	-
Debt forgiven	(355,056)	-
In kind donation received	-	(17,500)
(Increase) Decrease in accounts and grants receivable	111,442	(98,434)
(Increase) Decrease in inventory	432,118	(528,501)
Increase in mortgage receivable	(206,571)	-
Increase (Decrease) in accounts payable	(19,154)	23,271
Increase (Decrease) in other liabilities	<u>(10,385)</u>	<u>5,110</u>
Net Cash Provided (Used) by Operating Activities	289,118	(252,857)
Cash Flows from Investing Activities		
Net proceeds from sale of property	60,702	-
Purchase of plant, property and equipment	<u>(53,391)</u>	<u>-</u>
Net Cash Provided by Investing Activities	7,311	-
Cash Flows from Financing Activities		
Payment on notes payable	(156,138)	(282,479)
Draw on notes payable	<u>183,769</u>	<u>547,563</u>
Net Cash Provided by Financing Activities	<u>27,631</u>	<u>265,084</u>
Net Increase in Cash and Cash Equivalents	324,060	12,227
Cash and Cash Equivalents - Beginning of Year	<u>129,042</u>	<u>116,815</u>
Cash and Cash Equivalents - End of Year	<u>\$ 453,102</u>	<u>\$129,042</u>
Reflected in the Statement of Financial Position as:		
Cash and cash equivalents	\$ 339,210	\$119,697
Restricted cash	<u>113,892</u>	<u>9,345</u>
Total	<u>\$ 453,102</u>	<u>\$129,042</u>
Cash paid for:		
Interest	<u>\$ 860</u>	<u>\$ 14,993</u>

The accompanying notes are an integral part of the financial statements.

Inner-City Revitalization Corporation
Statement of Functional Expenses
For the Year Ended December 31, 2011

	<u>Rental</u>		2011 <u>Management</u>	<u>Total</u>	2010 <u>Summarized</u>
	<u>Activities</u>	<u>Lot Sales</u>	<u>and General</u>	<u>Expenses</u>	<u>Totals</u>
Interest expense	\$ -	\$ -	\$ 860	\$ 860	\$ 11,671
Legal and professional	-	470	31,483	31,953	34,031
Contracts	4,461	-	-	4,461	-
Contract labor	-	-	-	-	-
Depreciation	39,603	-	5,876	45,479	46,652
Donation	-	-	-	-	-
Dues and subscriptions	-	-	833	833	867
Insurance	11,550	3,556	11,550	26,656	25,743
Office supplies	-	-	14,289	14,289	2,911
Rent	155,639	-	-	155,639	62,304
Salaries	44,078	-	67,965	112,043	98,306
Telephone	-	-	4,409	4,409	4,091
Miscellaneous	-	-	6,336	6,336	4,824
Grounds maintenance	5,561	-	-	5,561	3,260
Maintenance	22,440	-	-	22,440	23,614
Pest control	1,748	-	1,748	3,496	2,681
Utilities	12,642	-	15,452	28,094	20,809
Cost of subdivision lots	-	774,947	-	774,947	-
	<u>\$ 297,723</u>	<u>\$ 778,973</u>	<u>\$ 160,801</u>	<u>\$ 1,237,496</u>	<u>\$ 341,764</u>

The accompanying notes are an integral part of the financial statements.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2011

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

Inner-City Revitalization Corporation (the Corporation) is a not-for-profit organization formed under the laws of the State of Louisiana. The purpose of the Corporation is to (1) foster, encourage, and coordinate, through all possible means and in cooperation with municipalities and other groups and interests, the rebuilding and revitalization of blighted metropolitan neighborhoods in Rapides Parish, Louisiana, and (2) to help make clean, healthful, safe, and affordable housing available to citizens who need it.

The Corporation's funding sources consist of contributions and grants from foundations and federal, state and local governments.

The Corporation is currently selling homes constructed for low income individuals or families.

The Corporation owns a 20 unit housing facility (Olive House) which it rents to low income individuals with broken backgrounds and provides case workers to help these individuals get back on their feet. The Corporation also owns four single family dwellings that it rents to low income individuals. Monthly rent is calculated based on the tenant's income and family size.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2011

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Corporation considers all demand deposits and highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include monies designated for specific programs or held for others.

Contributions and Grants

Contributions and grants are recorded as received. Unconditional promises to give are recorded as they are made. Conditional promises to give are recognized as revenue when the necessary conditions are fulfilled.

Inventory

Inventory consists of single family homes. Interest on construction line of credit was capitalized into the value of the inventory. Inventory is stated at cost using the specific identification method.

Property, Equipment, and Depreciation

Property and equipment are stated at cost if purchased, or fair value at the date of donation, if contributed to the Corporation, less accumulated depreciation. Depreciation is computed on depreciable assets on a straight-line basis over the estimated useful lives of the assets. The cost of maintenance and repairs is expensed as incurred; however, significant renewals and improvements are capitalized.

Mortgage Notes Receivable

Mortgage notes receivables are reported in the financial statements at the outstanding principal balance. Interest earned on the mortgage is recognized as it accrues. Delinquency status is based on the contractual terms of the mortgage.

Income Taxes

The Corporation is a not-for-profit organization which qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable Louisiana law and, accordingly, is not subject to federal or state income tax. Contributions to it are tax deductible within the limitations prescribed by the Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Code.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2011

Note 2 – Restricted Cash

Restricted cash at December 31, 2011 consisted of:

<u>Restriction purpose</u>	<u>Amount</u>	<u>Source</u>
NKM Down Payment Assistance	5,932	Donor Restriction
Endowment Fund (see below)	1,201	Donor Restriction
Low Income Housing	102,308	Grantor Restriction
Tenant Based Rental Assistance	<u>4,451</u>	Grantor Restriction
Total	<u>\$113,892</u>	

In October 2001, the Corporation established an endowment fund to help insure the financial future of the Corporation. Contributions to the endowment fund may not be withdrawn and earnings on the fund may not be withdrawn until the principal reaches \$10,000.

During 2010, the Corporation opened an account to use for the payment of rental assistance that was a requirement of the grant agreement.

Note 3 – Grant Receivable

At December 31, 2011, grants receivable consisted of the following:

<u>Grantor</u>	<u>Amount</u>
Louisiana Housing Finance Agency	\$ 8,606
Department of Housing and Urban Development	<u>7,844</u>
Total	<u>\$16,450</u>

Management is confident that these funds will be fully collected; therefore, no provision for loss has been made.

Note 4 – Inventory

During 2008, the Corporation received a donation of 4 lots valued at \$8,000. The purpose of the lots is to construct affordable housing for low income individuals. The Corporation was awarded a grant to construct single family houses on these lots. During 2011, five of the six homes constructed during 2010 and 2011 were sold decreasing the inventory value to \$151,270.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2011

Note 5 – Property and Equipment

At December 31, 2011, property and equipment consisted of the following:

	<u>Life</u>	<u>Carrying Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land		\$ 94,094	\$ -	\$ 94,094
Olive House – building	39 years	1,168,632	178,210	990,422
Rental property	39 years	320,206	51,997	268,209
Equipment	5-10 years	50,336	35,046	15,290
Armour Building	Impaired	<u>17,500</u>	<u>-</u>	<u>17,500</u>
Total		<u>\$1,650,768</u>	<u>\$265,253</u>	<u>\$1,385,515</u>

Depreciation expense for the current year was \$45,479.

The Armour Building is currently not being used because it is in a state of disrepair.

Note 6 – Mortgage Receivable

In April 2002, the Corporation entered into a sale and mortgage agreement in the amount of \$37,750, with a down payment of \$1,133, secured by property located at 67 Prospect Street, Alexandria, LA. The agreement requires 240 monthly payments of \$283.90. Interest is stated at (7%) per annum, and the principal balance at December 31, 2011 was \$24,974. The creditor is in compliance with the loan terms and payment schedule. Management is confident that the note will be fully collected; therefore, no provision for loss has been made.

In 2011, the Corporation received a grant from the Louisiana Housing Finance Agency to aid qualified buyers in the purchase of the low income housing constructed by the Corporation. The aid is in the form of a mortgage that is forgiven over a period of ten to fifteen years depending on the amount of aid awarded to the individual, as long as the homeowner abides by the covenants in the agreement signed with the Corporation. The aid was awarded to five individuals for a total of \$208,157

Note 7 – Notes Payable

In May 2000, the Corporation established an uncollateralized revolving line of credit with Capital One Bank in the amount of \$100,000. The note requires monthly payments of interest only. The line of credit is renewable annually at the discretion of the lender. The variable rate of interest is the highest prime rate plus two percent (2%) and was 5.25% per annum at December 31, 2011. Principal in the amount of \$1,685 was owed at December 31, 2011.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2011

Note 7 – Notes Payable (Continued)

In September 2008, the Corporation established a line of credit with Christus Health in the amount of \$200,000. The line of credit is collateralized by a real estate mortgage on the duplex on Madison Street. The note requires quarterly payments of interest only. The line of credit is renewable annually at the discretion of the lender. The rate of interest is 2.000% per annum. Principal in the amount of \$64,577 was owed at December 31, 2011.

In August 2009, the Corporation entered into a grant/loan agreement with the Louisiana Housing Finance Agency (LHFA) for the purpose of constructing 4 single family dwellings. The money received from LHFA is to be treated as a loan until the houses are sold. At the time of the sale, Inner City may realize a 15% developer fee and must repay the remaining portion of the proceeds to LHFA, or apply to re-use the money for additional low income housing projects. If the sales price is less than the total development cost, the difference shall be considered a development subsidy. This is an interest free loan and no payments are required until a home is sold. The loan is collateralized by a real estate mortgage on the four homes construction in the Green Oaks Subdivision. Principal in the amount of \$51,269 was owed at December 31, 2011.

Note 8 – Net Assets

At December 31, 2011, temporarily and permanently restricted net assets consisted of the following:

Temporarily restricted net assets:

Homebuyer's program	\$ 18,362
Soft second mortgages	208,157
Low income housing	<u>217,203</u>
Total temporarily restricted net assets	<u>\$443,722</u>

Permanently restricted net assets:

Endowment Fund (See Note 2)	<u>\$ 1,200</u>
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Of the above items listed, cash required to fulfill these totals \$235,565. As of December 31, 2011, the Corporation only had restricted cash totaling \$113,892

Note 10 – Income Taxes

The federal income tax returns of Inner City for 2009, 2010 and 2011 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Note 11 – Contributed Services

The Board of Directors is a voluntary board. These volunteers have made significant contributions of their time to the Corporation. The value of the contributed time is not reflected in these statements since it is not susceptible to an objective measurement or valuation.

Inner-City Revitalization Corporation
Notes to Financial Statements
December 31, 2011

Note 12 – Contingent Liability

The Armour Building, which the Corporation owns, is in a state of ruin due to structural damage and is currently causing water damage to Olive House. The Corporation is trying to raise money for the building to be demolished. There may be costs to the Corporation to fix the water damage to Olive House, but this cost can't be reasonably estimated until the adjacent building has been torn down or repaired.

Note 13 – Concentration in Revenue

The Corporation received about 50% of its revenue from grants. About 45% of grant revenue was forgiveness of debt (See Note 7). These grants are necessary to further the Corporation's mission. The sale of homes built with grant revenue consisted of about 40% of the corporation's revenue. There are currently no more homes being built and only one in inventory at December 31, 2011.

Note 14 – Subsequent Events

The Corporation has no material subsequent events that would require disclosure. Subsequent events have been evaluated through June 28, 2012, which is also the date the financial statements were available to be issued.

Inner-City Revitalization Corporation
Schedule of Federal Awards
December 31, 2011

<u>Federal Grantor/Pass-through Grantor</u>	<u>Federal CDFA Number</u>	<u>Pass- through Identifying Number</u>	<u>Federal Expenditures</u>
U. S. Department of Housing and Urban Development			
Indirect Program:			
HOME Program			
City of Alexandria	14.239		\$ 20,424
Louisiana Housing Finance Agency	14.239		368,147
Neighborhood Stabilization Program (Recovery Act)			
Louisiana Housing Finance Agency	14.256		321,604
Direct Program:			
Supportive Housing Program	14.235		<u>40,211</u>
 Total Expenditures of Federal Awards			 <u>\$750,386</u>

Inner-City Revitalization Corporation
Notes to Schedule of Federal Awards
December 31, 2011

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Inner-City Revitalization Corporation (Corporation) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Loan

As of December 31, 2011 the Corporation had \$51,269 in loans due to the Louisiana Housing Finance Agency. The funds were used to construct a single family home and are payable upon the sale of this home.



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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing
Standards**

June 28, 2012

Board of Directors
Inner-City Revitalization Corporation
Alexandria, Louisiana

We have audited the financial statements of Inner-City Revitalization Corporation as of and for the year ended December 31, 2011, and have issued our report thereon dated June 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Inner-City Revitalization Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of Inner-City Revitalization Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a

timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2010-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Inner-City Revitalization Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under Government Auditing Standards.

Inner-City Revitalization Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Inner-City Revitalization Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management of Inner-City Revitalization Corporation, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana statutes, this report is distributed by the Legislative Auditor as a public document.


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Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

June 27, 2011

Board of Directors

Inner-City Revitalization Corporation

Alexandria, Louisiana

Compliance

We have audited Inner-City Revitalization Corporation's compliance of with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Inner-City Revitalization Corporation's major federal programs for the year ended December 31, 2011. Inner-City Revitalization Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Inner-City Revitalization Corporation's management. Our responsibility is to express an opinion on Inner-City Revitalization Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organization*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Inner-City Revitalization Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Inner-City Revitalization Corporation's compliance with those requirements.

In our opinion, Inner-City Revitalization Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs the year ended December 31, 2011. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

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www.knightmasden.com

Internal Control Over Compliance

The management of Inner-City Revitalization Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Inner-City Revitalization Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of Inner-City Revitalization Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we have identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a material weakness.

Inner-City Revitalization Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Inner-City Revitalization Corporation's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, management of Inner-City Revitalization Corporation, the Legislative Auditor of the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana statutes, this report is distributed by the Legislative Auditor as a public document.


KnightMasden



Inner-City Revitalization Corporation
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Inner-City Revitalization Corporation.
2. One control deficiency disclosed during the audit of the financial statements is reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. This deficiency is considered to be a material weakness.
3. No instances of noncompliance were disclosed, which would be required to be reported in accordance with *Government Auditing Standards*.
4. One material weakness in internal control over major federal award programs disclosed during the audit are reported in the *Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditors' report on compliance for the major federal award program administered by Inner-City Revitalization Corporation expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Section C of this schedule.
7. The programs tested as major programs include:

	<u>CFDA Numbers</u>
Home Program	14.239
Neighborhood Stabilization Program	14.256

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Inner-City Revitalization Corporation does not qualify as a low-risk auditee.

Inner-City Revitalization Corporation
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

B. Findings – Financial Statement Audit

2011-01 Preparation of Financial Statements

Condition:

Internally prepared interim and year end financial statements are not prepared in accordance with generally accepted accounting principles.

Criteria:

Financial statements should be prepared in accordance with generally accepted accounting principles.

Effect:

Internal financial statements for use by the management and board do not reflect the financial position of Inner-City Revitalization Corporation in accordance with generally accepted accounting principles.

Cause:

Entries necessary for financial statements to be presented in accordance with generally accepted accounting principles are not being posted and subsidiary ledgers are not being maintained. Specifically entries and subsidiary ledgers related to the following items are not being recorded properly: inventory costs, fixed assets, rental deposits, compensated absences, accounts payable, notes payable, grant receivables, grant revenue, program revenue and net assets, as well as their restriction class.

Recommendation:

Inner-City Revitalization Corporation should prepare the entries necessary for compliance with generally accepted accounting principles.

Response:

See Management's Corrective Action Plan for their response.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Passed through the City of Alexandria

No findings.

Inner-City Revitalization Corporation
Managements Corrective Action Plan
For the Year Ended December 31, 2011

2011-01 Preparation of Financial Statements

Recommendation:

Inner-City Revitalization Corporation should prepare the entries necessary for compliance with generally accepted accounting principles.

Response:

A meeting with Finance Committee Chair, Executive Director, Bookkeeper from Payne, Moore & Herrington, LLP and the Auditor is scheduled to identify and resolve roles and responsibilities of proper documentation of necessary accounting entries for compliance with general accepted accounting principles.

Implementation Date:

Immediately

Contact:

Barbara Dashiell, Executive Director (318) 442-1502

Inner-City Revitalization Corporation
Summary of Prior Year Findings
For the Year Ended December 31, 2011

2010-01 Preparation of Financial Statements

Condition:

Internally prepared interim and year end financial statements are not prepared in accordance with generally accepted accounting principles.

Current Year Condition:

See current year finding 2011-01

2010-02 Debit Card Transactions

Condition:

During our testing it was noted that debit card transactions are not being approved by an authorized board member.

Current Year Condition:

This finding has been resolved.

2010-03 Cash Management

Condition:

There was one instance in which the contractor invoice was submitted for grant reimbursement prior to the contractor receiving payment.

Current Year Condition:

This finding has been resolved.